



ALTURAS
REAL ESTATE FUND
www.alturas.com

Quarterly Report | 1st Quarter 2019

ALTURAS REAL ESTATE FUND

Blake Hansen

Chief Investment Officer
Alturas Capital Partners, LLC
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Key Numbers*

21.73%

Realized return - 1st quarter 2019

18.60%

Realized return - since inception

21.90%

Total return - 1st quarter 2019

28.24%

Total return - since inception

\$1.66M

1st quarter 2019 distributable net income

*Stated returns are average annualized investor returns (see page 5 for additional details). Individual investor returns may vary based on the unit pricing at the time of investment. Distributable net income includes realized gains and losses and excludes unrealized gains and losses recorded during the period.

Cover Photo:

Arches National Park, North Window, Utah
Adobe Stock photo by Aheflin

Inside Cover Photo:

Amazing view of Zion National Park, Utah
Adobe Stock photo by Maislam

Dear Investors,

2019 is off to a great start for the Alturas Real Estate Fund! We added an asset in the Salt Lake City, Utah market and sold a Dutch Bros asset for an excellent return.

We have been looking for the right opportunity to invest in the Salt Lake City market for many years. In this competitive environment it takes the right relationships, hard work and discipline to find assets that meet our return expectations. The relationship that created this opportunity originally was sourced through a referral from another of our close broker partners from a different market.

We were fortunate to uncover this opportunity and added value by signing new leases prior to closing. This leasing momentum has continued post closing. We are confident that this investment will lead to additional acquisitions in this market.

We also sold an asset this quarter - the Dutch Bros in Caldwell, Idaho. This sale was a reflection of the extremely aggressive market for single tenant net leased properties. We were able to sell the asset for a substantial profit. We have another Dutch Bros asset under construction in Colorado Springs, Colorado.

We will continue to sell assets periodically when the right circumstances present themselves. However, we remain focused on residual cash flow generated from rental revenue. This cash flow is the foundation of the Fund and provides the predictable returns we are seeking.

We appreciate your confidence in us. We will continue to selectively add assets to the portfolio and opportunistically sell assets. Market cycles are inevitable and we are working diligently to prepare for the next cycle so we are all in a position to take advantage of the additional buying opportunities it will create.

Thank you again for your continued support!

Sincerely,



Blake Hansen, Chief Investment Officer
Alturas Capital Partners, LLC



Travis Barney, Chief Credit Officer
Alturas Capital Partners, LLC

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10	Fund Performance Summary

All projections are hypothetical and predicated upon various assumptions that may or may not be identified as such. The future operating and financial performance information contained herein is for illustrative purposes and is not intended to portray any sort of targeted or anticipated returns. There can be no assurance that the Fund will achieve its investment objectives and actual performance may vary significantly.

Financial information herein related to the year ended December 31, 2018 and quarter ended March 31, 2019 is unaudited as of the date of this report.

Fundraising

Fund Description

The Alturas Real Estate Fund, LLC was formed by Alturas Capital to provide high net worth individuals and accredited investors access to professionally managed real estate investments.

The Fund is a \$100 million equity offering, created to make value-add commercial and residential real estate investments. The Fund targets middle-market properties frequently ignored by larger funds. These properties can be profitable as a diverse portfolio that protects the investor's downside risk.

The Fund was created in May 2015 and owns properties primarily in the Intermountain West and Inland Northwest. Managers of the Fund are continually searching for new properties to add to the Fund that meet strict underwriting criteria including a margin of safety, with a focus on cash flows.

Summary of Debt Offering

Return range: 6-8% interest rate, paid quarterly

Investment type: Secured notes

Minimum investment: \$100,000

Investor eligibility: Accredited investors only

Security: Priority position before equity investors

Summary of Equity Offering

Preferred return: 8% paid quarterly

Profit split: 70% to investors, 30% to manager after preferred return

Fees: Asset management fee: 1.5%, no acquisition or disposition fees

Minimum investment: \$250,000 (updated on 01/01/2019)

Investor eligibility: Accredited investors only

Targeted returns: 9-14%

Investor Strategies for Deploying Capital with Alturas

We have very high demand from investors who wish to invest with us. Many of our current investors want to invest more while many new investors want to begin investing with us.

To ensure that you have the first opportunity to place additional capital into the Fund we suggest two strategies:

- **Reinvest your dividends.** This ensures your dividend is subscribed every quarter on the first day following the end of the quarter. Another advantage of the reinvestment option is the capital is invested at the previous quarter's unit price.
- **Invest in our note program.** In addition to our equity offering, we are also raising additional notes from investors. These are 24-60 month notes bearing 6-8% interest and have a priority position in the Fund.

Here are some advantages of the note offering:

- Notes are placed at the front of the queue, and deployed first, before all equity investors.
- Notes are in a priority collateral position ahead of equity investments.
- Diversification: invest in notes as well as equity.

As summarized in the table below, as of March 31st, 2019, 9% of the Fund's capital is in the form of notes. At this time, our target is to have approximately 10-15% of Fund capital in the form of notes, which we will continue to evaluate as the Fund evolves.

	Notes	Equity
End of Q1-2019	9%	91%

Please let us know if you are interested in our note program. We are still looking for investors who would like to participate. Contact us at invest@alturas.com.

Wire Protocol Notice

While the Fund and our investors have been able to avoid any mishaps thus far, email hacking and attempts to fraudulently misdirect funds is on the rise. We all need to remain vigilant in order to prevent fraud.

If you receive an email or any other communication that appears to be generated by our office containing new, revised, or altered bank wire instructions, consider it suspect. Please do not ever wire funds without first calling our CFO Ben Johnson to verify. His number is (986) 200-1676.

Investment Overview

Additional Fund Metrics

\$28.50M

Aggregate capital raised as of 03/31/19

\$95.78M

Assets under management (AUM)

831,591 SF

Total portfolio square footage

86.98%

Total portfolio occupancy as of 3/31/2019

90+

Investors in the Fund

\$1,394.00

Unit price as of 04/01/19

\$8.86M

Investor distributions since inception*

62.01%

Reinvestment rate as of 3/31/2019

*Distributions since inception includes Q1-2019 distributions paid on 04/30/19.

Range of Net Investor Returns

As an open ended fund, investors contribute capital to the Fund on a quarterly basis at the prevailing unit price; therefore, individual investor returns will vary. Below is a summary of the range of returns experienced by our investors during Q1 2019.

21.73%

Average Q1 2019 realized returns

20.03 - 24.87%

Range of Q1 2019 realized returns

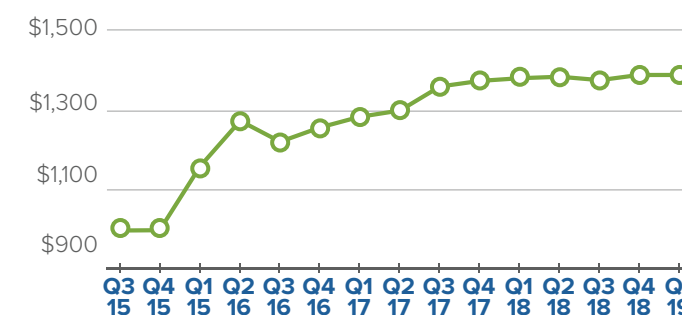
21.90%

Average Q1 2019 total returns

20.17 - 25.07%

Range of Q1 2019 total returns

Unit Price (Since Inception)



	2015	2016	2017	2018	2019
Q1	N/A	\$1,188.86	\$1,280.86	\$1,388.41	\$1,394.00
Q2	N/A	\$1,274.41	\$1,299.39	\$1,389.45	-
Q3	\$1,000.00	\$1,218.00	\$1,356.38	\$1,370.75	-
Q4	\$1,000.00	\$1,254.26	\$1,369.28	\$1,393.51	-

Realized Return by Month (Annualized)

	2015	2016	2017	2018	2019
Jan.	N/A	13.37%	9.45%	12.90%	37.34%
Feb.	N/A	17.84%	15.17%	16.30%	13.86%
Mar.	N/A	14.84%	17.33%	15.91%	13.23%
Apr.	N/A	13.08%	16.08%	17.47%	-
May	13.64%	14.69%	11.39%	16.22%	-
Jun.	13.64%	14.70%	29.02%	16.81%	-
Jul.	13.62%	97.15%	13.89%	15.17%	-
Aug.	11.79%	13.49%	16.21%	69.40%	-
Sept.	23.57%	15.93%	14.53%	15.43%	-
Oct.	14.90%	14.34%	15.16%	13.30%	-
Nov.	15.15%	13.34%	13.90%	15.91%	-
Dec.	15.04%	16.32%	13.18%	12.72%	-
Annual	15.34%	21.69%	15.41%	19.86%	21.73%
Since Inception*	15.34%	19.33%	17.82%	18.39%	18.60%

*Average annualized return since inception as of respective year/period end

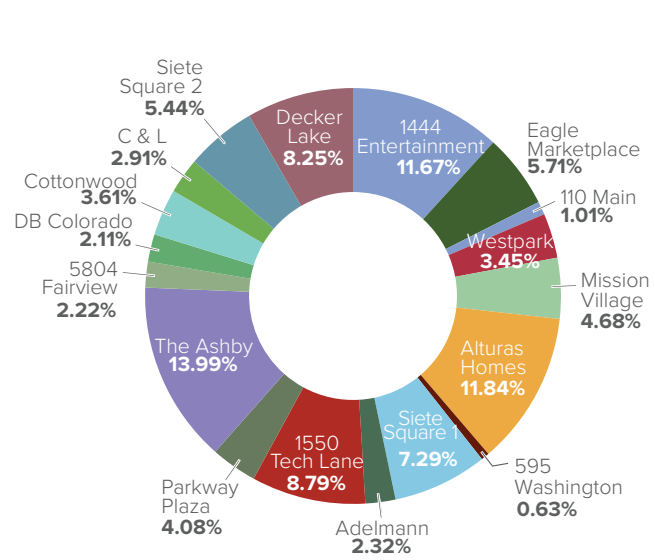
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Portfolio Diversification

We believe in the power of diversification and it is one of the primary reasons we structured our investment vehicle as a fund. As the Alturas Real Estate Fund grows – now approaching \$100M assets under management and one million square feet – this diversification becomes more impactful.

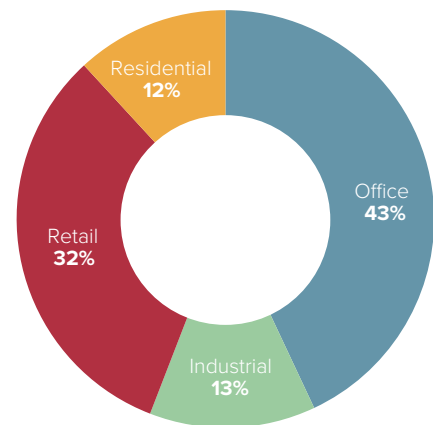
The following charts illustrate the various ways that the Fund is diversified by breaking out the portfolio concentration by individual property, tenant industry, property type, and geography.

Concentration by Property



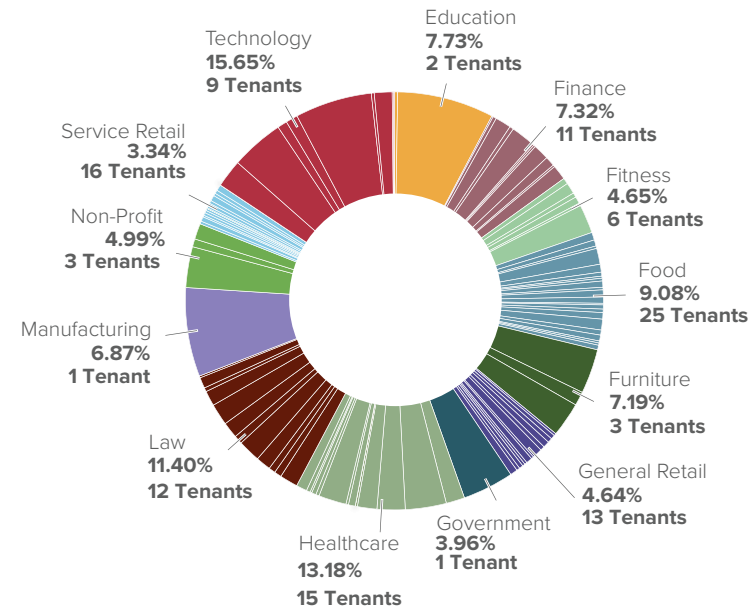
The Fund currently holds investments in 18 properties and our largest holding in terms of investment size is The Ashby with 14% of the Fund's capital allocated to this asset, followed by 1444 Entertainment at 12%.

Concentration by Property Type



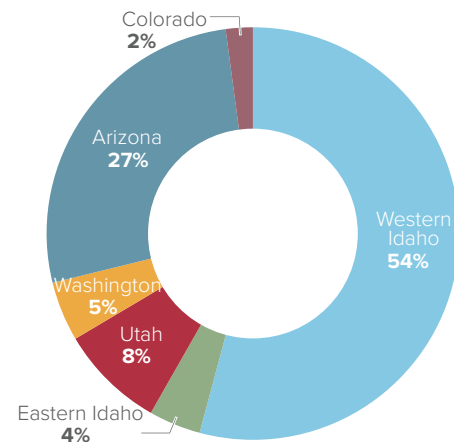
Office properties represent 43% of our portfolio, with retail at 32%, industrial at 13% and residential 12%.

Concentration by Tenant Industry



The Fund owns 831,591 square feet with approximately 125 tenants. Our largest single tenant represents 7.48% of total revenue, with only two others above 5% of total revenue.

Concentration by Geography



The Fund currently is invested in five different states and six different MSAs. While the Western Idaho area still represents a little over 50 percent of the portfolio, our last two transactions were in Phoenix and Salt Lake City.

New Transactions

Shops at Decker Lake



Salt Lake City, Utah

Property Type: Retail
Size: 52,387 SF

The Shops at Decker Lake represents the Alturas Real Estate Fund's first acquisition in the state of Utah. The retail center is located at 2200 West 3500 South in West Valley City, Utah, a growing suburb of Salt Lake City. The property is situated just off of I-215, near the Maverik Center - a 12,000 seat multi-purpose arena which is home to the Utah Grizzlies hockey team, and a major venue in the region for numerous concerts and live touring productions.

By working with our broker-partners, we were able to create significant leasing momentum prior to closing, including the addition of two signed leases which took the occupancy from 70% when the property was put under contract to 77% at closing. We have since renewed two existing tenants and added another lease bringing the current occupancy to 82%.

Dutch Bros Caldwell



Caldwell, Idaho

Property Type: Retail
Size: 874 SF

The Alturas Real Estate Fund successfully took another asset full-cycle with the disposition of the Dutch Bros located at 807 Specht Ave. in Caldwell, ID. Alturas originally purchased the land for this project in April of 2017. Construction of the building was completed later that summer and the tenant opened for business on September 15, 2017. The property was sold on January 2, 2019.

This was a profitable investment for the Fund, returning over three times our original investment in a little over 18 months. It also served as another example of the unique way in which we work with our broker partners and allow them to capture additional compensation as we work together to complete successful projects.

Existing Portfolio



Shops at Decker Lake
Salt Lake City, Utah

- Acquired March 2019
- Already showing significant leasing momentum. As rent commences for those new tenants, income at the property will increase in the coming months



Siete Square II
Phoenix, Arizona

- Improvements to the common areas now complete
- Currently in discussions with an existing tenant to expand within the building



Chinden & Linder Development
Eagle, Idaho

- Construction expected to begin in summer 2019
- Currently in negotiation with a tenant who will fill remaining vacancy



Cottonwood Plaza
Boise, Idaho

- Improvements to the exterior facade and signage are now complete
- The property is currently providing an excellent return to the Fund with upside in the vacancy



1444 Entertainment
Boise, Idaho

- Clickbank expanded and took the remaining vacancy on the 3rd floor bringing the building to 100% occupancy
- Improvements to the layout and configuration of the parking lot are being explored



Mission Village
Wenatchee, Washington

- Improvements to the pylon signage are underway and should be completed by June
- Currently in negotiations with a tenant who would fill 2,200 SF of the existing vacancy in the shopping center



Westpark
Boise, Idaho

- Improvements to the parking lot and landscaping are underway
- The property continues to provide an excellent return for the Fund



110 Main
Boise, Idaho

- Currently in negotiations with a tenant who would occupy the entire building on a 5-year lease



5804 Fairview
Boise, Idaho

- Single tenant building occupied by a regional furniture store. Tenant opened for business in September of 2019
- All indications are that the tenant is doing well and business is good



Dutch Bros Colorado
Colorado Springs, Colorado

- Construction began in April of 2019 and is progressing on schedule
- Dutch Bros expected to open for business in July once construction is complete



The Ashby on Osborn
Phoenix, Arizona

- Improvements to both lobbies, the exterior facade and the signage are now complete
- Recently came to an agreement with Arizona Urology Specialists to expand and extend their lease by 15 years



Parkway Plaza
Idaho Falls, Idaho

- Improvements to the landscaping, parking lot and roof are all now complete
- Recently signed leases with two new tenants to occupy 4,800 SF of vacancy in the shopping center



Eagle Marketplace
Eagle, Idaho

- Leases were signed in Q4 2018 for the remaining 2,695 SF of vacancy
- With those tenants now in occupancy and paying rent, an increase to the fair value was made in Q1 2019



Alturas Homes
Boise, Idaho Metro

- The single-family home market remains strong in the Boise area



1550 Tech Lane
Meridian, Idaho

- This summer, Consign Furniture will move to the south side of the building providing them with retail frontage on Overland Road
- The move will also allow us to accommodate growth for our other tenants in the building



Adelmann Building
Boise, Idaho

- Boise Fry Company is opening a new ramen restaurant in the basement
- Boise Fry Company and Press & Pony recently exercised 5-year extension options renewing ~5,700 SF of leases in the building



Siete Square I
Phoenix, Arizona

- Castle Biosciences signed a new lease to expand into an additional 2,970 SF bringing the occupancy to 98%
- Operating expenses should decrease as we consolidate service contracts & property management with Siete II



595 Washington
Twin Falls, Idaho

- As St. Luke's elected not to expand we have likely maximized the value of the asset in the near term and will consider selling the asset if the right buyer surfaces.

Fund Performance Summary

Sold Investments

Investment	Date of Investment	Date of Liquidation	Property Type	MSA	Size	Status	Sold Price (\$'000)	Realized Gains/ (Losses) (\$'000)	Risk Profile
1. Legends Townhomes	Dec-15	Jul-16	Multi-Family	Kansas City, MO	18 Units	Sold	2,020	765	Core Plus
2. 1124 Caldwell Blvd	Oct-15	Jun-17	Retail	Boise, ID	2,646	Sold	1,050	206	Value Add
3. 12000 Deep Canyon*	Sep-17	Sep-17	Single Family	Boise, ID	1 Unit	Sold	605	-	Residential Value Add
4. Treasure Valley Crossing	Sep-16	Aug-18	Retail	Boise, ID	21,000	Sold	5,650	1,440	Core Plus
5. 12005 Meridian	Apr-17	Nov-18	Retail	Seattle, WA	7,388	Sold	4,950	201	Build-to-Suit
6. Dutch Bros Caldwell	Apr-17	Jan-19	Retail	Boise, ID	874	Sold	2,300	751	Build-to-Suit
Total					31,908 SF		\$16,575	\$3,363	

Current Investments

Investment	Date of Investment	Property Type	MSA	Size	Status	Occupancy	Cost Basis (\$'000)	Fair Market Value (\$'000)	Fund Investment (\$'000)	Risk Profile
1. Alturas Homes*	Jun-15	Single Family	Boise, ID	66 Units	In Progress	N/A	2,901	2,901	2,901	Residential New Construction
2. Eagle Marketplace	Sep-15	Retail	Boise, ID	60,024	Stabilized	100%	5,465	8,672	1,399	Value Add
3. 110 Main	Oct-15	Office	Boise, ID	6,230	Lease-up	0%	1,170	1,170	249	Value Add
4. Westpark	Feb-16	Industrial	Boise, ID	117,510	Stabilized	100%	6,439	6,700	844	Tenant-in-Tow
5. Mission Village	Sep-16	Retail	Wenatchee, WA	32,514	Lease-up	59%	4,551	4,275	1,146	Value Add
6. 1444 Entertainment	Dec-16	Office	Boise, ID	78,175	Stabilized	100%	13,040	13,580	2,859	Value Add
7. 595 Washington	Dec-16	Industrial	Twin Falls, ID	11,195	Stabilized	100%	725	931	154	Tenant-in-Tow
8. Siete Square I	Jun-17	Office	Phoenix, AZ	57,933	Stabilized	98%	8,673	8,673	1,787	Core Plus
9. Adelmann Building	Jul-17	Retail	Boise, ID	14,704	Stabilized	100%	2,195	2,195	567	Core Plus
10. 1550 Tech Lane	Aug-17	Industrial	Boise, ID	105,759	Stabilized	100%	6,856	6,856	2,153	Value Add
11. Parkway Plaza	Feb-18	Retail	Idaho Falls, ID	75,300	Lease-up	77%	4,274	4,274	873	Value Add
12. The Ashby on Osborn	Mar-18	Office	Phoenix, AZ	89,230	Lease-up	66%	10,960	10,960	3,426	Value Add
13. 5804 Fairview	Aug-18	Retail	Boise, ID	22,500	Stabilized	100%	2,372	2,682	488	Tenant-in-Tow
14. Dutch Bros Colorado Springs	Aug-18	Retail	Colorado Springs, CO	824	Under Construction	100%	605	605	518	Tenant-in-Tow
15. Cottonwood Plaza	Sep-18	Office	Boise, ID	43,426	Lease-up	72%	4,475	4,475	883	Value Add
16. Chinden & Linder Development	Oct-18	Retail	Boise, ID	10,000	Under Construction	73%	797	797	669	Build-to-Suit
17. Siete Square II	Dec-18	Office	Phoenix, AZ	53,880	Lease-up	82%	5,776	5,776	1,332	Core Plus
18. Shops at Decker Lake	Mar-19	Retail	Salt Lake City, UT	52,387	Lease-up	70%	7,258	7,258	2,020	Value Add
Total				831,591 SF		87%	\$88,532	\$92,781	\$24,268	

Acquisition Pipeline

Investment	Est. Date of Investment	Property Type	MSA	Size	Status	Estimated Occupancy at Acquisition	Contracted Purchase Price (\$'000)	Estimated Fund Investment (\$'000)	Risk Profile
Allstate Building	Apr-19	Office	Pocatello, ID	78,225	Under Contract	100%	11,610	1,485	Core Plus
Emerald Office Building	Apr-19	Office	Boise, ID	4,424	Under Contract	100%	520	100	Core Plus
Market Center	Jun-19	Retail	Colorado Springs, CO	168,621	Under Contract	85%	12,900	4,200	Value Add
Fry's Vineyard Shoppes	Jun-19	Retail	Phoenix, AZ	17,450	Under Contract	71%	3,800	1,150	Value Add
IGCP	Aug-19	Industrial/Flex	Spokane, WA	74,000	Under Contract	91%	6,900	1,825	Value Add
Total				342,720 SF		89%	\$35,730	\$8,760	

*Subordinated notes.

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